

ENERGY/KPC/KOK/DLW/AML

Decision \_\_\_\_\_

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of SAN DIEGO GAS & ELECTRIC COMPANY (U-902-M) for Authority to Increase its Short-Term Borrowing Authorization to an Aggregate Amount not to Exceed \$550,000,000 in Addition to that Amount Otherwise Authorized by Public Utilities Code Section 823(c).

Application 05-12-026  
(Filed December 22, 2005)

**OPINION**

**1. Summary**

This decision grants San Diego Gas & Electric Company (SDG&E) the authority requested in Application (A.) 05-12-026 (Application).

Pursuant to §§ 816 through 830, SDG&E requests authority through December 31, 2010, to increase its current short-term borrowing authority of \$400,000,000, granted by Decision (D.) 05-05-047, dated May 26, 2005, to an aggregate principal amount not to exceed \$550,000,000. This \$550,000,000 of requested short-term borrowing authorization is in addition to the 5 percent issuance of short-term debt that does not require Commission approval pursuant to § 823(c).<sup>1</sup>

**2. Background**

SDG&E is an electric and gas corporation organized and existing under the laws of the State of California, and is primarily engaged in the business of providing utility electric and gas service throughout San Diego

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<sup>1</sup> All statutory references are to the Public Utilities Code unless otherwise indicated.

County and public utility service in a portion of Orange County. SDG&E's current short-term financing request builds on financing authorizations issued beginning in 1992.

Decision 92-11-059, with authority extended through to December 31, 2002, by D.97-11-012, granted SDG&E the authority to issue \$200 million of short-term debt to: (i) finance balancing account undercollections and fuel inventories; (ii) temporarily fund new utility plant; (iii) retire and refund long-term debt and preferred stock; and (iv) satisfy other short-term cash needs that might arise from time to time.<sup>2</sup>

In D.01-02-011, the Commission authorized SDG&E to issue \$800 million of short-term and long-term debt to finance the undercollection in SDG&E's Energy Revenue Shortfall Account (ERSA), and superseded the authority granted under D.92-11-059, as modified. The Decision also authorized SDG&E to use \$200 million of the \$800 million for the purposes authorized by D.92-11-059, as modified, but only to the extent that SDG&E did not need the \$200 million to finance its ERSA undercollection.

In D.02-06-024, the Commission reduced SDG&E's authority to issue debt to finance its ERSA from \$800 million to \$400 million. Of the \$400 million authority, SDG&E was authorized to use through December 31, 2002, \$200 million for the purposes authorized by D.92-11-059, as modified, and again, only to the extent that it did not need the \$200 million excess for ERSA undercollection.

In D.02-12-067, the Commission extended SDG&E's \$200 million short-term debt authority to December 31, 2007, and: (i) prohibited SDG&E from using the \$200 million to fund inter-corporate borrowings; and (ii)

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<sup>2</sup> This authority was in addition to the short-term debt that SDG&E may issue without Commission authorization pursuant to § 823(c).

required SDG&E to reduce the aggregate amount of short-term debt to 5% of the par value of long-term capital (long-term debt, preferred stock, and common stock) outstanding, at least once every 12 months.

Decision 05-05-047 is the most recent decision addressing SDG&E's short-term debt authority. In that Decision, the Commission granted SDG&E authority to: (a) issue \$400 million of excess short-term debt through December 31, 2010, for the following purposes: (i) provide temporary financing for new utility infrastructure; (ii) finance balancing account undercollections and fuel inventories; (iii) provide temporary financing for the retirement and refunding of SDG&E's long-term debt and preferred stock; and (iv) satisfy other utility-related short-term cash needs that may arise; (b) renew, refinance, extend, or replace, as necessary, the short-term debt issued pursuant to D.05-05-047; (c) be exempted from the 5% condition required under D.97-11-012 and D.02-12-067; and (d) file the General Order (GO) 24-B report on a quarterly basis.

### **3. Notice and Protests**

Notice of the filing of the Application appeared in the Commission's Daily Calendar of December 23, 2005. No protests have been received.

### **4. SDG&E's Application**

SDG&E states, in its Application, that it continues to face a dynamic external and regulatory environment. As such, SDG&E believes it is prudent and necessary to increase its excess existing short-term borrowing authorization now in order to address in the future, and when needed: (1) higher planned infrastructure investments; (2) the impact of increased gas prices (and related Commission regulatory actions); and (3) the timing and size of potential collateral calls up to the proposed ceiling in its hedging

program, as requested in SDG&E's Advice Letter 1745-E, filed November 16, 2005, as supplemented by AL 1745-E-A filed on March 22, 2006.

SDG&E's seeks authorization to increase its short-term borrowing authorization to an aggregate amount not to exceed \$550,000,000 from the current \$400,000,000, in addition to that amount otherwise authorized by § 823(c).

PU Code § 823(c) provides:

Notwithstanding the provisions of subdivision (b), no public utility as defined in Sections 201(e) of the Federal Power Act (49 Stat. 847, 16 U.S.C. 824) shall, without the consent of the commission, issue notes payable at periods of not more than 12 months after the date of issuance of the notes if such notes and all other notes payable at periods of not more than 12 months after the date of issuance of such notes on which such public utility is primarily or secondarily liable would exceed in aggregate amount 5 percent of the par value of the other securities then outstanding. In the case of securities having no par value, the par value for the purposes of this subsection shall be the fair market value as of the date of issue.

SDG&E points out that it intends to also use its short-term debt borrowing authorization for basically the same purposes as those indicated in D.05-05-047: (i) temporary financing for new utility infrastructure; (ii) balancing account undercollections; (iii) fuel inventories; (iv) temporary financing for the retirement and refunding of long-term debt and preferred stock; and (v) other short-term cash needs that may arise from time to time.

**a. New Utility Infrastructure**

SDG&E's indicates that its capital plans, which are in response to its ongoing commitment to enhancing the energy infrastructure of California, have increased substantially. SDG&E points out that, investments are

being made in new generation and transmission that are urgently needed as energy needs continue to increase. One of SDG&E's new infrastructure capital investments is the Sunrise Powerlink 500kV transmission line, an "energy superhighway", which will ramp up over 2006-2008, to improve the reliability of the region's electrical transmission grid and provide access to available and proposed electricity supplies from the region and beyond. SDG&E anticipates investing between \$2.6 billion and \$3.2 billion over the next three years, compared to its historical spending pattern of \$350-\$500 million per year. SDG&E points out that the temporary financing of these improvements with short-term debt will put additional demands on its short-term borrowing capacity.

#### **b. Gas and Electric Purchasing**

SDG&E claims that it and its customers are experiencing the impact of dramatic increases in the price of natural gas. SDG&E points out that combined with SDG&E's re-entry into the electric generation business, which will also necessitate purchases of natural gas, its potential short-term financing needs for gas purchasing will be increasing.

SDG&E claims that approval of its increased short-term borrowing capacity is also a necessary element for the implementation of its updated electric procurement plan. Currently before the Commission is SDG&E's Advice Letter 1745-E, filed November 16, 2005, which updates its electric procurement plan in response to long-term electric procurement authority.<sup>3</sup>

#### **c. Regulatory Actions**

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<sup>3</sup> SDG&E asserts that it may require a significant amount of short-term capital to fund the collateral requirements associated with its hedging program.

In 2005, the Commission issued D.05-10-015, D.05-10-043 and D.05-10-044, taking several steps to mitigate the impact of high gas prices on California consumers. Among other things, these decisions increased the gas utilities hedging programs, expanded eligibility for energy low-income programs, prohibited utilities from shutting off winter residential customers who make minimum payments, and required a waiver of reconnection fees and deposits for certain qualified energy low-income customers. SDG&E believes that these steps will also increase its potential short-term financing needs.

## **5. Discussion**

During times when market conditions make long-term financing unattractive, it may be necessary for a utility to issue short-term debt to finance its construction expenditures and cash requirements. Debt maturities, opportunities to redeem or repurchase securities at low cost, changes in cash flows, or other unexpected events may make it necessary or desirable to increase short-term borrowing temporarily to meet cash needs. However, short-term borrowing should be reduced when practicable.

Schedule VIII, attached to the Application, shows that, as of September 30, 2005, SDG&E had \$1,608,926,000 of total capitalization, which is used to calculate the 5% § 823 allowance.

**Short-Term Financing in Excess of CPUC Code § 823 Allowance**  
(\$ thousands)

	<u>September 30, 2005</u>
Common Stock issued	371,076
Preferred and preference stock	97,225
Long-Term debt (excluding capital leases)	<u>1,140,625</u>
<b>Total capitalization at September 30, 2005</b>	<b><u>1,608,926</u></b>
5% allowed by CPUC Code §823 (c)	80,446
Maximum anticipated amount of short-term debt needed	<u>630,446</u>
<b>Total excess financing authority requested in this Application</b>	<b>550,000</b>
Current Excess financing authority granted under D.05-05-047	<u>400,000</u>
<b>Additional financing authority requested in this Application</b>	<b><u>150,000</u></b>

SDG&E's authorized \$400,000,000 excess short-term debt ceiling, in D.05-05-047, amounted to 29.38% of the utility's total capitalization of \$1,361,426,000, as of September 30, 2004.<sup>4</sup> The requested \$550,000,000 excess short-term debt ceiling amounts to 34.18% of total current capitalization (an increase of only 4.8% from the 2004 percentage of capitalization, exclusive of the § 823 (c) allowance),<sup>5</sup> while the capitalization during the same period increased by 18.18%.<sup>6</sup>

<sup>4</sup> 29.38% = \$400,000,000/\$1,361,426,000, and excludes \$68 million of short-term debt pursuant to § 823(c).

<sup>5</sup> 34.18% = \$500,000,000/\$1,608,926,000, and excludes \$80 million of short-term debt pursuant to § 823(c), based on the 2005 § 823 capitalization.

<sup>6</sup> 18.18% = \$1,608,926,000-\$1,361,426,000/\$1,361,426,000

**a. Balance Sheet**

For the nine months ended September 30, 2005, SDG&E reported total operating revenue of \$1,706,676,360 and net income of \$194,243,575, as shown in its Statement of Income and Retained Earnings, included in Attachment B to the Application. SDG&E's balance sheet, shown also as part of Attachment B, as of September 30, 2005, is summarized as follows:

(in millions)

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$3,475
Other Property and Investments	647
Current and Accrued Assets	552
Deferred Debits	<u>1,981</u>
Total Assets	<u>\$6,655</u>
<u>Liabilities &amp; Stockholders Equity</u>	
Proprietary Capital	\$1,491
Long-term Debt <sup>7</sup>	1,235
Other Noncurrent Liabilities	373
Current Liabilities <sup>8</sup>	1,389
Deferred Credits	<u>2,167</u>
Total Liabilities & Stockholders Equity	<u>\$6,655</u>

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<sup>7</sup> Amount includes Advances from Associated Companies.

<sup>8</sup> Does not include any short term debt, pursuant to D.05-05-047.



**b. Construction Budget**

SDG&E's forecasted estimated average capital expenditures, as shown in Schedule I in Attachment D to the Application, for calendar years 2006 through 2008, are as follows:

(in millions)

<u>Components</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Total</u>
Gas T&D, Elect Dist. And Generation	\$ 800	\$ 450	\$ 500	\$1,750
Electric Transmission	300	225	500	1,025
Common/Other	<u>50</u>	<u>50</u>	<u>50</u>	<u>150</u>
Total cash required for construction	<u>\$1,150</u>	<u>\$ 725</u>	<u>\$1,050</u>	<u>\$2,925</u>

SDG&E's forecasted capital expenditures for 2006 through 2008 totals \$2.9 billion.

**c. Cash Requirements Forecast**

SDG&E's Statement of Cash Requirements for 2006 through 2008 is as follows:

	(in millions)			
<u>Uses of Cash</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Total</u>
Funds for Construction (Capital Expenditures)	\$1,150	\$725	\$1,050	\$2,925
Maturities/Refinancings:				
Maturities of Long-term Debt	66	66	-	132
Beginning of year cash (short-term debt) balance	<u>(220)</u>	<u>(5)</u>	<u>(15)</u>	<u>(240)</u>
Subtotal	\$996	\$786	\$1,035	\$2,817
Less: Estimated Cash Available from Internal Sources	<u>(450)</u>	<u>(550)</u>	<u>(650)</u>	<u>(1,650)</u>
External funds required	<u>\$546</u>	<u>\$236</u>	<u>\$385</u>	<u>\$1,167</u>

SDG&E's Statement of Cash Requirements for the three years, represented above, indicates that it will require additional funds from external sources amounting to approximately \$1.2 billion. Subsequent to filing instant application 05-12-016, SDG&E filed application 06-02-017, in which it requested authority to issue \$800 million of long term debt and \$200 million of preferred and preference stock. We granted this authority on May 11, 2006 in decision 06-05-015. It appears from this forecast that SDG&E may need the addition to its current excess short-term borrowing authority to meet its external funding requirements. While the project expenditures are proper uses of funds, pursuant to § 817(b) and (g), the reasonableness of construction expenditures and refinancing costs are issues normally addressed in other proceedings and we will not address them here.

#### d. Capital Ratios

SDG&E's capital ratios as of September 30, 2005, are shown below as actual and pro-forma, showing the effect of increase in short-term borrowing:

	(\$ in thousands)			
	<u>Recorded</u>		<u>Pro Forma</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Long-Term Debt	\$1,140,625	43.3	\$1,140,625	35.0
Less: Unamortized expenses	<u>(19,233)</u>	<u>(0.7)</u>	<u>(19,233)</u>	<u>(0.6)</u>
Total Long-Term Debt	<u>\$1,121,392</u>	<u>42.6</u>	<u>\$1,121,392</u>	<u>34.4</u>
Short-Term borrowing				
Under PUC code §823(c)	-	0.0	80,446	2.5
Short-Term Debt	<u>-</u>	<u>0.0</u>	<u>550,000</u>	<u>16.8</u>
Total Debt	\$1,121,392	42.6	\$1,751,838	53.7
Preferred Stock	\$ 97,225	3.7	\$ 97,225	3.0
Common Equity <sup>9</sup>	<u>1,412,615</u>	<u>53.7</u>	<u>1,412,615</u>	<u>43.3</u>
Total	<u>\$2,631,232</u>	<u>100.0</u>	<u>\$3,261,678</u>	<u>100.0</u>

For many years the Commission has granted SDG&E various authorities to issue debt and equity securities, and short-term debt in excess of the limitations of § 823(c). This has provided the utility with necessary financing authorities and flexibility to issue specific types of debt when market conditions are attractive.

In this Application, SDG&E's September 30, 2005 recorded capital structure consists of 42.6% long-term debt, 3.7% preferred stock, and 53.7% common equity. Assuming SDG&E utilizes in full the requested short-term debt amount, its pro-forma capital structure will consists of 53.7% total debt, 3.0% preferred stock, and 43.3% common equity.

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<sup>9</sup> Includes paid in capital, retained earnings and other comprehensive income.

SDG&E's authorized capital structures as shown in D.05-12-043 dated December 15, 2005, consists of 45.25% long-term debt, 5.75% preferred equity, and 49% common equity. We note that the authorized capital structure is used as a target. The actual capital structure may vary from the adopted structure due to timing of debt and equity issuances.

Capital structures are normally subject to review in cost of capital or general rate case proceedings. At such time, a particular rate of return will be determined. A debt to equity ratio, which may be different from that resulting from the debt transactions authorized in this Decision, may be inputted, in order to properly pass the cost of debt and equity to ratepayers.

SDG&E is placed on notice, by this Decision, that the Commission does not find that its capital ratios or the inclusion of short-term debt in its capital structure are necessary or reasonable for ratemaking purposes. We also remind SDG&E that in exercising its authorized financings, including existing authorizations, as well as the current short-term debt authority, it shall endeavor to rebalance its capital structure to authorized levels to ensure that the resulting capital structure is in compliance with its most currently authorized capital structure.

This Decision makes no finding regarding the reasonableness of the rates, terms and conditions of any debt issued by SDG&E. The Commission's regular review of cost of capital will provide guidance on future actions and compliance with Commission requirements regarding capital structure.

## **6. Use of Proceeds**

SDG&E proposes to use the proceeds from the issuance of short-term debt for the temporary financing of: the addition and extensions to SDG&E utility plant; undercollections in SDG&E balancing accounts; retirements of SDG&E's long-term debt and preferred stock; the financing of SDG&E's fuel inventories; and such other short-term cash needs described herein.

We will not make a finding in this decision on the reasonableness of these expenditures. Our authorization is not to be construed as a finding of the value of SDG&E's properties nor as indicative of the amounts to be included in proceedings for the determination of just and reasonable rates.

## **7. Approval of Short Term Borrowing**

SDG&E's request for authority to increase the amount of excess short-term debt it may issue from \$400 million to \$550 million is subject to §§ 816, 823 (b), 823(c), and 823(d) which state, in relevant part, as follows:

§ 816: The power of public utilities to issue debt is a special privilege, the right of supervision, regulation, restriction, and control of which is listed in the state, and such power shall be exercised as provided by law under such rules as the commission prescribes.

§ 823(b): A public utility may issue notes, for proper purposes and not in violation of any provision of law, payable at periods of not more than 12 months after the date of issuance of the notes without the consent of the commission.

§ 823(c): Notwithstanding the provisions of subdivision (b), no public utility...shall, without the consent of the commission, issue notes payable at periods of not more than 12 months after the date of issuance of the notes if such notes and all other notes payable at periods of not

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more than 12 months after the date of issuance of such notes...would exceed in aggregate amount 5 percent of the par value of the other securities then outstanding. In the case of securities having no par value, the par value for the purposes of this subsection shall be the fair market value as of the date of issue.

§ 823(d): No note payable at a period of not more than 12 months after the date of issuance of such note shall, in whole or in part, be refunded by debt or equity...without the consent of the commission.

The Commission has broad authority under § 816 et seq., to accept or reject a utility's request to issue excess short-term debt. In general, the Commission will authorize a utility to issue short-term debt when the utility can demonstrate a reasonable need to do so.

SDG&E points out that due to the sheer size of the forecasted capital expenditures, along with its other short-term borrowing needs, there is a real possibility that SDG&E's short-term cash requirements could reach the excess capacity ceiling of \$550 million. SDG&E believes that the availability of \$550 million, in excess of the 5% limit, is important because it allows necessary flexibility to meet short-term borrowing requirements and manage financing needs in a way that will reduce overall debt and equity costs.

It appears that SDG&E's financing and short-term capital needs will increase due to, among other things, the temporary financing of capital improvements, higher gas prices, certain measures the Commission has taken to mitigate the impact on customers of higher gas prices (such as the Commission order to not shut-off service to gas customers this winter who make certain minimum bill payments), and to hedge gas costs for electric generation.

We conclude that it is in the public interest to grant SDG&E's uncontested request for authority to issue up to \$550 million of excess short-term debt, in addition to the \$80,446,000 in short-term debt that SDG&E may issue without Commission authorization, pursuant to §823 (c). The health, safety, welfare, and prosperity of California depend on SDG&E having sufficient generation and transmission capacity to meet the needs of its customers.

SDG&E shall not use the short term debt authorized by this Decision to fund dividends, inter-corporate borrowing, or management fees paid to its parent company or other affiliates. Consistent with § 824, SDG&E shall maintain records to (1) identify the specific short-term debt issued pursuant to today's Decision, and (2) demonstrate that the proceeds from such debt have been used only for the purposes authorized by today's Decision.<sup>10</sup>

## **8. Category and Need for Hearings**

In Resolution ALJ 176-3165, dated January 12, 2006, the Commission preliminarily categorized this proceeding as ratesetting and preliminarily determined that an evidentiary hearing would not be necessary. Based on the record of this proceeding, we affirm that this is a ratesetting proceeding and that a hearing is not necessary.

## **9. Waiver of Comment Period**

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to § 311(g) (2), the otherwise applicable

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<sup>10</sup> Section 824 states: "The commission may require...utilities to account for the disposition of the proceeds of all sales of...bonds, notes, or other evidence of indebtedness, in such form and detail as it deems available, and may establish such rules as it deems reasonable and necessary to insure the disposition of such proceeds for the purposes specified in its order."

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30-day period for public review and comment is being waived.



## **10. Exemption from the Competitive Bidding Rule**

In D. 92-11-059, the Commission held that the Competitive Bidding Rule set forth in Resolution F-616 does not apply to short-term debt.<sup>11</sup> Accordingly, the short-term debt authorized by this Decision is not subject to the Competitive Bidding Rule.

## **11. Fees**

Whenever the Commission authorizes a utility to issue debt, the Commission is required to charge and collect a fee in accordance with § 1904 (b). On June 14, 2005, SDG&E paid the fee of \$206,000 for the \$400,000,000 short-term excess borrowing authorization granted by D.05-05-047, until December 31, 2010. For the additional excess short-term debt of \$150,000,000 authorized by this Decision, SDG&E should pay \$81,000.<sup>12</sup> However, since SDG&E paid the fee of \$281,000 pursuant to § 1904 (b) when the Application was filed on December 22, 2005,<sup>13</sup> we will direct the Fiscal Office to refund SDG&E the amount of \$200,000. The fee of \$281,000 as calculated by SDG&E as shown on Schedule X of Attachment D is incorrect.

## **12. Assignment of Proceeding**

Kevin P. Coughlan is the assigned Examiner in this proceeding.

## **Findings of Fact**

1. Pursuant to Decision 05-05-047, dated May 26, 2005, SDG&E was authorized to issue \$400 million of excess short term borrowing through December 31, 2010, in addition to the short-term debt that SDG&E may issue without Commission authority pursuant to § 823 (c).

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<sup>11</sup> D.92-11-059, Conclusion of Law 4. (1992 Cal. PUC LEXIS 772, \*15.)

<sup>12</sup> The fee is determined as follows:  $(\$2 \times (1,000,000/1,000)) + (\$1 \times (9,000,000/1,000)) + (\$0.50 \times (140,000,000/1,000)) = \$81,000$ .

<sup>13</sup> CPUC CSR#43714 dated 12/22/05.

2. SDG&E's authority to issue short-term debt pursuant to § 823 (c), without Commission authorization, and in accordance with its current capitalization of \$1.6 billion, is approximately \$80.4 million.

3. As of September 30, 2005, SDG&E has not used any amount under its existing \$400,000,000 short term debt authority.

4. In A.05-12-026, SDG&E requested authority to issue \$550 million of excess short term-debt, through December 31, 2010, to temporarily finance the following: (i) new utility infrastructure; (ii) balancing account undercollections; (iii) fuel inventories; (iv) the retirement and refunding of long-term debt and preferred stock; and (v) other short-term cash needs that may arise from time to time.

5. SDG&E may need to issue up to \$550 million of excess short-term debt during 2006-2010 to finance new utility infrastructure and for other purposes.

6. SDG&E claims that approval of its increased short-term borrowing capacity is a necessary element for the implementation of its updated procurement plan.

7. SDG&E represents that it will invest more than \$600 million annually during 2006-2009 to finance utility infrastructure investments, including more than \$3 billion for electric generation and transmission capacity.

8. Decision 05-05-047 eliminated the requirement for SDG&E to reduce its outstanding short-term debt to 5% of the par value of SDG&E's long-term capital outstanding at least once every twelve months.

9. Decision 05-05-047 granted SDG&E to report on a quarterly basis the information required by GO 24-B, regarding the short-term debt authorized therein.

10. This Decision does not address the reasonableness of the following: (i) the rates, terms and conditions of any short-term debt issued by SDG&E pursuant to this Decision, (ii) any expenditures made with the proceeds from short-term debt issued pursuant to this Decision, (iii) the ratio of SDG&E's short-term debt to its other debt and equity; and (iv) SDG&E's forecast of cash requirements and infrastructure expenditures.

11. The § 1904(b) fee is \$81,000 and not \$281,000.

12. SDG&E made an overpayment of \$200,000 in the fee required by § 1904(b).

13. This Decision supplants and replaces SDG&E's authority to issue short-term debt conferred by prior Decisions.

14. Notice of A.05-12-026 appeared in the Commission's Daily Calendar on December 22, 2005. There is no known opposition to this Application.

### **Conclusions of Law**

1. A public hearing is not necessary.

2. The Application should be granted to the extent set forth in the order that follows.

3. SDG&E should be granted authority through December 31, 2010, to issue \$550 million of excess short-term debt for temporary financing of the following purposes: (i) new utility infrastructure; (ii) balancing account undercollections; (iii) fuel inventories; (iv) the retirement and refunding of long-term debt and preferred stock; and (v) other short-term cash needs. All disbursements should be reflected in the report required by GO 24-B.

4. As authorized in D.05-05-047, SDG&E should be able to continue through December 31, 2010, to renew, refinance, extend, or replace, as necessary, the excess short-term debt issued, pursuant to this Decision, for the purposes authorized by this Decision.

5. SDG&E should not use the short-term debt authorized by this Decision, or the \$80.4 million of short-term debt issued pursuant to §823(c), to fund dividends, inter-corporate borrowing, or management fees paid to its parent company or other affiliates.

6. As granted in D.05-05-047, SDG&E should be exempt from the requirement to bring its short-term debt to 5% of its long-term capital outstanding, at least once every 12 months, to help ensure that SDG&E has access to sufficient capital to fund needed infrastructure investments.

7. The short-term borrowing authorized by this Decision is not subject to the Competitive Bidding Rule.

8. SDG&E should maintain records pursuant to § 824 and GO 24-B that (i) identify the specific short-term debt issued pursuant to this Decision, and (ii) demonstrate that the proceeds from such debt have been used only for the purposes authorized by this Decision.

9. SDG&E should be refunded the amount of \$200,000 for the overpayment of the fee required by § 1904(b).

10. SDG&E should file the reports required by GO 24-B on a quarterly basis, unless directed otherwise by Commission staff.

11. The following order should be effective on the date of signature.

**O R D E R**

**IT IS ORDERED** that:

1. Application 05-12-026, filed by San Diego Gas & Electric Company (SDG&E), is granted, as set forth herein.
2. SDG&E is authorized, pursuant to Pub. Util. Code § 816 *et seq.*, to issue \$550 million of excess short-term borrowing, through December 31, 2010, for the following purposes: (i) temporary financing for new utility infrastructure; (ii) balancing account undercollections; (iii) fuel inventories; (iv) temporary financing for the retirement and refunding of long-term debt and preferred stock; and (v) other short-term cash needs, that may arise from time to time. All disbursements should be reflected in the report required by GO 24-B.
3. The short-term borrowing that SDG&E may issue, pursuant to this order, is in addition to the short-term debt that SDG&E may issue without Commission authorization, pursuant to Pub. Util. Code § 823 (c).
4. SDG&E is granted authority through December 31, 2010, to renew, refinance, extend, or replace, as necessary, the short-term debt issued pursuant to this order, for the purposes authorized by this order.
5. SDG&E shall not use the short-term debt authorized by this order to pay dividends, finance inter-corporate borrowing, or pay management fees to its parent company or other affiliates.
6. SDG&E shall file quarterly, the reports required by General Order 24-B, unless directed otherwise by Commission staff.
7. SDG&E is exempt from the 5% condition described in Conclusion of Law 6.

8. The Fiscal Office shall send SDG&E a check in the amount of \$200,000 representing overpayment of fee required by § 1904(b) for A.05-12-026 (with CSR # 43714 dated December 22, 2005 and the decision number for this proceeding as reference).

9. The authority granted herein shall be effective until the financing authorization is fully utilized.

10. Application 05-12-026 is closed.

This order is effective today.

Dated \_\_\_\_\_, 2006, at San Francisco, California.